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ABSTRACT

This document is the First Annual Report to the Congress on state and local uses of those federal education funds for which the states have discretionary administrative authority. The first chapter presents the specific reporting requirements to be met under the law, the scope of the reporting effort, and a discussion of the strategies and activities to be followed by the U.S. Office of Education and the states in meeting the mandate. Chapter 2 discusses the flow of state-administered federal grant funds, significant factors related to federal education funding, and factors related to state uses of federal funds. Chapter 3 describes the characteristics of the state records for federal grant administration, including the data items sought in the collection effort, factors pertinent to the state data and record-keeping systems, and limitations in interpretation of the data. Chapter 4 presents a glossary that provides definitions of terms and abbreviations used in this text. Finally, an appendix is included that describes the data collection, including the rationale for the data items, data collection guidelines, and the various tasks performed in the collection and processing of the data. (Author)

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State Administered Federal Education Funds

Fiscal Years 1974 and 1975

(under Section 437, General Education Provisions Act)

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VOLUME I State Administration and Uses of Federal Grants for Education

First Annual Report of the U.S. Commissioner of Education
to the
Senate Committee on Labor and Public Welfare
House Committee on Education and Labor

EA 008 198

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
David Mathews, *Secretary*
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Office of Education
T.H. Bell, *Commissioner*

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

TO THE CONGRESS OF THE UNITED STATES

As Commissioner of Education I have the honor to submit herewith the first annual report concerning State Administration and Uses of Federal Funds for Education as required by Title V of the Education Amendments of 1974 and Section 437 of the General Education Provisions Act.

This report was prepared by the Office of Planning, Budgeting, and Evaluation and is transmitted in accordance with the requirements of subsection 512(a) of Public Law 93-380 and subsection 437(b) of Public Law 90-247, as amended.

Respectfully yours,

T. H. Bell
U.S. Commissioner
of Education

Preface

This report represents the initial response to Section 512 of the Education Amendments Act of 1974 (Section 437 of the General Education Provisions Act) requiring annual reporting by the Commissioner of Education on State and local uses of Federal education funds for which States have discretionary authority.

Collected data and supporting narratives have been organized into three volumes for the first annual report. These volumes and their contents are as follows:

- Volume I--Report on State Administration and Uses of Federal Grants for Education--The initial volume presents the reporting requirements to be met under the law, the scope of the reporting effort, characteristics of Federal-State education funding and grant administration, and characteristics of State records for Federal grant administration.

- Volume II--Summary Presentation of Data on State Uses of Federal Grants for Education--Volume II provides State record characteristics and data aggregated to the State level. The summary presentations provide the highest level view of the distribution of Federal funds.

- Volume III--Individual State Reports on Uses of Federal Grants for Education--Volume III contains the most detailed presentation of the data and is organized and bound by individual State. Information is presented on a program by program basis displaying all local agencies receiving funds in support of the educational programs.

These data have been collected in a coordinated effort with the Committee for Evaluation and Information Systems (CEIS) of the Council of Chief State School Officers, National Center for Education Statistics (NCES), and the respective U. S. Office of Education (USOE) program offices.

Questions concerning this report, or suggestions to improve subsequent reports, should be addressed to:

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CONTENTS

		Page
	Preface	v
	Index of Exhibits	xi
1.0	INTRODUCTION	1
1.1	Legislative Mandate	1
1.2	Purpose and Scope of This Report	3
1.3	USOE Strategy	3
1.4	Current Status and Future Efforts	8
1.5	Contents of This Report	8
2.0	CHARACTERISTICS OF FEDERAL-STATE EDUCATION FUNDING AND THE GRANT ADMINISTRATION PROCESS	10
2.1	Typical Operation of a State Administered Federal Aid Program	10
2.2	Significant Factors Related to Federal Education Funding	16
2.2.1	Carryover Funds	17
2.2.1.1	Problem: Late Funding	17
2.2.1.2	Alleviation Efforts: Tydings Amendment, Advance Funding	17
2.2.1.3	Consequences	18
2.2.1.3.1	State Obligation Totals	19
2.2.1.3.2	Distribution Patterns: Potentially Misleading	19

CONTENTS (Continued)

		Page
2.2.2	FY 1973 Impoundments	19
2.3	Significant Factors Related to State Uses of Federal Funds	21
2.3.1	Moving Budgets	21
2.3.2	Over- and Underbudgeting	22
2.3.3	Commingling of Federal and non-Federal Funds	22
2.3.4	Grants to Intermediate Agencies	23
2.3.4.1	Intermediate Units	23
2.3.4.2	Local School Districts	23
2.3.4.3	State Agencies	24
2.3.5	Multi-year Funding	24
3.0	CHARACTERISTICS OF STATE RECORDS FOR FEDERAL GRANT ADMINISTRATION	25
3.1	Data Items Sought for the First Annual Report	25
3.1.1	Data Item Priorities	25
3.1.2	Alternative Acceptable Data Items	26
3.2	Characteristics of State Data and Recordkeeping Systems	27
3.2.1	Fiscal Data	28
3.2.1.1	Separating Funds from Different Federal Appropriation Years	28
3.2.1.2	Commingled Federal and State Funds	29
3.2.1.3	Collection of Data at Different Points in the Funding Cycle	31

CONTENTS (Continued)

		Page
3.2.1.4	Identification of Unused Funds Returned to USOE or to the SEA	34
3.2.1.5	Separation of Obligations Made from State Administered Program Funds and the Commissioner's Discretionary Funds	34
3.2.2	Beneficiary Data	34
3.2.2.1	Unavailability of Actual Direct Beneficiaries Data	34
3.2.2.2	Duplicate Counting	35
3.2.2.3	Absence of a Common Denominator in Counting Beneficiaries	35
3.2.2.4	Difficulty in Identification of Beneficiaries Served by Source of Funds	35
3.2.2.5	Incomplete Beneficiary Data	35
3.2.3	Purpose Data	37
3.2.4	Grantee Identification Data	38
3.2.4.1	Lack of a Uniform Coding Structure	38
3.2.4.2	Identification of Final Grant Recipient	38
3.3	Limitations to Data Interpretation and Analysis	38
3.3.1	Reconciling Substate Obligations With USOE Allocations to the States	39
3.3.2	The Parameters of Legitimate Intrastate and Interstate Comparisons	40
3.3.3	Comparison of Obligation Amounts and Beneficiary Counts	41

CONTENTS (Continued)

		Page
4.0	GLOSSARY	42
APPENDIX -	THE FIRST YEAR'S COLLECTION EFFORT	51
A1	Rationale for Selection of Data Items in the First Annual Report	51
A1.1	Alternative Data Collection Requirements	51
A1.2	Constraints Introduced by State Practice	53
A2	Basic Data Collection Guidelines	54
A3	Structured Collection Approach	55
A3.1	Training	56
A3.2	Field Data Collection	56
A3.3	Data Editing	57
A3.4	Data Validation	57
A3.5	Report Preparation	57

INDEX OF EXHIBITS

		Page
1.	STATE ADMINISTERED GRANT PROGRAMS	4
2.	TYPICAL ADMINISTRATIVE AND FUNDING CYCLE OF A FEDERAL AID PROJECT	12
3.	IDENTICAL AWARDS TO TWO DISTRICTS COMPARED BY FISCAL YEAR AND APPROPRIATIONS ACT	20
4.	SUMMARY OF FISCAL DATA CHARACTERISTICS WITH RESPECT TO OBLIGATIONS FOR FEDERAL FY 74 STATE ADMINISTERED PROGRAMS	30
5.	SUMMARY OF FISCAL DATA CHARACTERISTICS WITH RESPECT TO THE FUNDING CYCLE FOR FEDERAL FY 74 STATE ADMINISTERED PROGRAMS	33
6.	SUMMARY OF BENEFICIARY DATA CHARACTERISTICS FOR FEDERAL FY 74 STATE ADMINISTERED PROGRAMS	36

1.0 INTRODUCTION

This document is the First Annual Report to the Congress on State and local uses of those Federal education funds for which the States have discretionary administrative authority. The reports will be required annually from the States and the U. S. Commissioner of Education under Section 512 of the Education Amendments Act of 1974, Section 437 of the General Education Provisions Act (GEPA). This chapter presents the specific reporting requirements to be met under the law, the scope of the reporting effort, and a discussion of the strategies and activities to be followed by USOE and the States in meeting the mandate. This chapter's sections discuss:

- Legislative Mandate--The legal basis for the report and the anticipated use of the information requested
- Purpose and Scope of This Report--The purpose of the initial report and the extent of its coverage
- USOE Strategy--The USOE plan for meeting the reporting requirements
- Current Status and Future Efforts--Present and future efforts in following the reporting strategy
- Contents of This Report--The major topics presented and the reporting format followed in this report

1.1 Legislative Mandate

In the Education Amendments Act of 1974 (Public Law 93-380), Congress has mandated annual reports on the use of funds made available to the States through the Federal grant-in-aid programs of the U.S. Office of Education. Specifically, the new Section 437 of GEPA requires reporting by each State on the following after the close of each Federal fiscal year:

- A list of all grants and contracts made by the State under such programs to Local Education Agencies (LEAs)

and other agencies and institutions during the preceding Federal fiscal year

- The total amount of such funds available to each State for the preceding Federal fiscal year by appropriation act

- A report on the amount of such funds received by each LEA and other institutions and the purposes for which such funds were expended during the second preceding Federal fiscal year

- Also, with respect to the second preceding Federal fiscal year, a statistical report on the individuals served by programs assisted with Federal funds

Currently, State education agencies submit annual reports to the USOE for each program area. Those reports include State level data about expenditures, purposes of projects, and participants in projects. In general, no information is required, and rarely is information submitted, that is addressed to the distribution and use of funds among LEAs. Thus, the current reporting systems do not indicate the amount of funds expended by each local education agency for each program category and the number of individuals served by the various programs. Similarly, the current State level reporting system provides little information that cuts across the various State administered Federal aid programs.

Data collected as a result of the mandated requirements of Section 512 will be useful in eliminating current informational deficiencies by providing:

- Information about the intrastate distribution and use of Federal funds among school districts, libraries, and higher education institutions

- Information about the utilization of Federal aid funds among as well as within programs

- Information to support analysis of intrastate distribution patterns of Federal grant funds

1.2 Purpose and Scope of This Report

The purpose of this document is to present the first report to Congress under the requirements of Section 512 of Public Law 93-380. For the first year's effort, USOE defined the State administered programs to consist of 26 separate programs as detailed in 45 CFR 100b and the Catalog of Federal Domestic Assistance.* The 26 programs and their corresponding purposes are outlined in Exhibit 1, following this page. This report presents data on 25 of these programs. The Library Services and Construction Act, Title II (LSCA II), Construction of Public Libraries, OMB Catalog No. 13.408, is not included since it was not funded by the Office of Education in Federal FY 74.

Funds to support the remaining 25 State administered programs for Federal FY 74 were contained in Public Law 93-192, Appropriations for the Department of Labor and Department of Health, Education, and Welfare. Funds to support the State administered programs for Federal FY 75 were contained in three appropriation acts:

- Public Law 93-517, Appropriations for the Department of Labor and Department of Health, Education, and Welfare
- Public Law 93-553, Supplemental Appropriation Act of 1975, Department of Health, Education, and Welfare
- Public Law 94-32, Second Supplemental Appropriation Act of 1975, Department of Health, Education, and Welfare

1.3 USOE Strategy

The Commissioner of Education placed the responsibility for implementing the reporting system on the Office of Planning, Budgeting, and Evaluation (OPBE). USOE recognized several factors in developing the reporting strategy:

- The information required to meet the legislative mandate was, for the most part, not currently available from records maintained by USOE program offices in Washington.

*The number of programs covered will change from year to year as authorizing legislation changes.

EXHIBIT 1 (1)

U. S. Office of Education

STATE ADMINISTERED GRANT PROGRAMS

Types of Assistance	Authorizing Legislation	Purpose	Who May Apply
Adult Education (OMB Cat. No. 13.400)	Adult Education Act of 1966, Title III as amended	To provide adult basic education programs, through 12th grade competency	State education agencies
Educationally Deprived Children--Handicapped (OMB Cat. No. 13.427)	Elementary and Secondary Education Act, Title I	To extend/improve comprehensive educational programs for handicapped children enrolled in State-operated or State-supported schools	State agencies and State supported/State-operated schools
Programs for Migratory Children (OMB Cat. No. 13.429)	Elementary and Secondary Education Act, Title I	To meet the educational needs of children of migratory farm workers	Local school districts
State Administration of ESEA Title I programs (OMB Cat. No. 13.430)	Elementary and Secondary Education Act, Title I as amended	To strengthen administration of ESEA, Title I	State education agencies
Programs for Children in State Institutions for the Neglected and Delinquent (OMB Cat. No. 13.431)	Elementary and Secondary Education Act, Title I	To improve the education of delinquent and neglected children in State institutions	Eligible State agencies
Programs for Disadvantaged Children (OMB Cat. No. 13.428)	Elementary and Secondary Education Act, Title I	To meet the educational needs of deprived children	Local school districts
Incentive Grants (OMB Cat. No. 13.512)	Elementary and Secondary Education Act Title I, Part B	To encourage greater State and local expenditures for education	State education agencies that exceed the national effort index
Special Grants to Urban and Rural School Districts with High Concentrations of Deprived Children (OMB Cat. No. 13.511)	Elementary and Secondary Education Act Title I, Part C	To improve the education of disadvantaged children	Local school districts
School Library Resources and Instructional Materials (OMB Cat. No. 13.480)	Elementary and Secondary Education Act Title II	To help provide school library resources, textbooks, and other instructional materials	Local education agencies

EXHIBIT 1 (2)

U. S. Office of Education

Types of Assistance	Authorizing Legislation	Purpose	Who May Apply
Innovative and Exemplary Programs/Supplementaty Centers (OMB Cat. No. 13.519)	Elementary and Secondary Education Act Title III	To support innovative and exemplary projects	Local education agencies
Strengthening State Education Agencies (OMB Cat. No. 13.486)	Elementary and Secondary Education Act Title V-A	To improve leadership resources of State education agencies	State education agencies, combinations thereof, and public regional interstate commissions
Programs for the Handicapped--Aid to States (OMB Cat. No. 13.449)	Education of the Handicapped Act Title VI-B	To strengthen educational and related services for handicapped children	State education agencies
State Administration of NDEA Programs (OMB Cat. No. 13.483)	National Defense Education Act Title III	To improve instruction in academic subjects through acquisition of laboratory and other special equipment and materials, through minor remodeling of space used for such equipment and materials, and in state education agencies through expanded supervisory services	State education agencies
Vocational Education Programs (OMB Cat. No. 13.493)	Vocational Education Act of 1963, Part B, as amended	To maintain, extend, and improve vocational education programs, to develop programs in new occupations	Local education agencies
Vocational Programs for Persons with Special Needs (OMB Cat. No. 13.499	Vocational Education Act of 1963, Part B, as amended	To provide vocational education programs for persons with academic, socio-economic or social handicaps which prevent them from succeeding in the regular program	Local education agencies
Vocational Education Research (OMB Cat. No. 13.498)	Vocational Education Act of 1963, Part C, as amended	To develop new vocational education careers and to disseminate information about them	Education agencies, private institutions and organizations
Vocational Education Innovative Projects (OMB Cat. No. 13.502)	Vocational Education Act of 1963, Part D, as amended	To develop, establish, and operate exemplary and innovative projects to serve as models for vocational education programs	State boards of vocational education
Consumer and Homemaking Education (OMB Cat. No. 13.494)	Vocational Education Act of 1963, Part F, as amended	To assist States in conducting training programs in consumer and homemaking education, especially in economically depressed or high unemployment areas	Local education agencies

EXHIBIT 1 (3)

U. S. Office of Education

Types of Assistance	Authorizing Legislation	Purpose	Who May Apply
Cooperative Education for Vocational Students (OMB Cat. No. 13.495)	Vocational Education Act of 1963, Part G, as amended	To assist the States in conducting vocational education programs designed to prepare students for employment through cooperative work-study arrangements	Local education agencies
Work-study Programs for Vocational Students (OMB Cat. No. 13.501	Vocational Education Act of 1963, Part H, as amended	To provide work opportunities for full-time disadvantaged vocational education students	Local education agencies
Library Services (OMB Cat. No. 13.464)	Library Services and Construction Act Title I	To extend and improve public library services, institutional library services, and library services to physically handicapped persons	State library administration
Construction of Public Libraries (OMB Cat. No. 13.408)	Library Services and Construction Act Title II	To aid States in construction of public libraries to serve areas without library services facilities	State library administration
Interlibrary Cooperation (OMB Cat. No. 13.465)	Library Services and Construction Act Title III	To establish and operate cooperative networks of libraries	State library administration agencies
University Community Services Programs (OMB Cat. No. 13.491)	Higher Education Act of 1965 Title I	To strengthen higher education capabilities in helping communities solve their problems	Colleges and universities
State Student Incentive Grants (OMB Cat. No. 13.548)	Higher Education Act Title IV-A	To encourage States to increase their appropriations for grants to needy students or to develop such grant programs where they do not exist (grants are on a matching 50-50 basis)	State education agencies
Endowments to Agriculture and Mechanical Arts Colleges (OMB Cat. No. 13.453)	Bankhead-Jones and Morrill-Nelson Acts, as amended	To support instruction in agriculture and mechanical arts in land-grant colleges	The 69 land-grant colleges

- The development of a system to respond effectively to the requirement on an annual basis would require a minimum of two years.

- Meeting the requirements of the legislation would place a burden on the State education agencies.

Accordingly, USOE formulated a strategy consisting of a two-phased work effort:

- Design and develop, over a two-year period, a system to report annually by 1977 (the third annual report).

- Implement an ad hoc data collection effort for the preparation of the 1975 and 1976 reports. For purposes of the 1975 report, USOE and its contractor would collect the data from the States directly. In 1976, the States would provide the necessary data.

On the basis of this strategy, USOE issued a Request for Proposal in April 1975 for a contractor to assist in carrying out the overall plan. In June of 1975, a contractor was selected, and work on the two project phases began.

The first year's data collection effort in the States was constrained by the current capabilities of the State education agencies' recordkeeping systems and the very short time allotted for the collection of the data and preparation of the first Report to Congress. Recognizing the necessity to establish appropriate relationships with the State education agencies (SEAs) to ensure the success of future years' reporting activities, USOE decided to focus on those data which were most readily obtainable from the State at the current time and at the same time were consistent with the basic intent of the legislation.

Accordingly, this report represents a subset of the total information requirements of the legislation; data are accommodations to the best available substitutes. Interpretation and analysis should recognize both the unique utility of this first report as well as potential limitations of its data. Additionally, the data limitations should be viewed in the context of the current capabilities of the State recordkeeping systems. Future design efforts and subsequent annual reports will improve the accuracy, completeness, and usefulness of the data produced in response to Section 512. A more detailed discussion of the rationale for the selection of the first year's data set and of the characteristics of State records and their potential for analysis is presented in Chapter 3 of this report.

1.4 Current Status and Future Efforts

With the submission of this report, the first year's ad hoc data collection effort has been completed.

Planning for the collection of the data for the second year's report in the summer of 1976 is well underway.

Work on the development of the reporting system has begun. Personnel are currently visiting all of the States to design a system that can be efficiently implemented. These efforts are being coordinated with the Common Core of Data (CCD) Project and the various USOE offices responsible for State administered programs. USOE plans to initiate system design activities in the summer of 1976 in support of the report to Congress in 1977 and subsequent years.

1.5 Contents of This Report

This report is divided into three volumes as follows:

- Volume I--Presents the background, issues, and characteristics of the data necessary to the interpretation of the reports
- Volume II--Presents statistical summaries of the collected data to illustrate the distribution of funds and the diversity of enrollments on an intrastate basis
- Volume III--Contains detail by State on a local agency level of the funds obligated, the beneficiaries served, and the purposes for which they were expended

Following this introduction, Chapter 2 discusses the flow of State administered Federal grant funds, significant factors related to Federal education funding, and factors related to State uses of Federal funds. Chapter 3 describes the characteristics of the State records for Federal grant administration, including the data items sought in the collection effort, factors pertinent to the State data and recordkeeping systems, and limitations in interpretation of the data. Chapter 4 presents a glossary which provides definitions of terms and abbreviations used in this text. Finally, an appendix is included which describes the data collection, including the rationale for the data items, data collection guidelines, and the various tasks performed in the collection and processing of the data.

Volume II, a summary presentation of the data, is composed of statistical reports to provide a view of the distribution of Federal funds. Included within the volume is a presentation of the data characteristics to be considered for program-to-program or State-to-State comparisons of the data. Ten summary presentations show fiscal and beneficiary data on an intrastate level, as in the following examples:

- FY 74 Federal funds obligated by State under State administered programs
- Number of direct program participants or beneficiaries in FY 74 State administered programs, by type of agency

Volume III contains the most detailed presentation of the data and is organized and bound by individual State. For each program, all grantee agencies are shown which received Federal funds and the content, sources, limitations, and methods of obtaining the fiscal and beneficiary data are described. A description of the organization and operation of the State education agency is given.

* * * *

The following chapter describes those characteristics of the Federal-State education funding process that are useful to a better understanding of the presented data.

2.0 CHARACTERISTICS OF FEDERAL-STATE EDUCATION FUNDING AND THE GRANT ADMINISTRATION PROCESS

This chapter addresses those characteristics of the funding and management of State administered Federal aid-to-education grant programs that affect the meaning of the information reported by the States and included in this report. This chapter first reviews the general process by which the Federal Government and the States determine the distribution and use of State administered Federal funds. That discussion focuses primarily on the operation of a typical Federal program area.

Secondly, two factors related to Federal education funding that are common to all States and most program areas are briefly considered. These are (1) late funding and the Tydings Amendment, which permits funds from an appropriations act to be carried over from one fiscal year into the next, and (2) the impoundment of Federal FY 73 funds that were released in 1974.

Finally, several factors that affect the interpretation of data for some program areas in some of the States are presented. These include the consequences of the carryover of Federal funds from year to year, moving budgets, over- and underbudgeting, commingling of Federal and non-Federal funds, grants to intermediate agencies, and the obligation of funds to cover more than one fiscal year.

2.1 Typical Operation of a State Administered Federal Aid Program

In this section, the cycle of administrative interactions between the State education agency and the grantee agencies is reviewed for a typical elementary and secondary education Federal aid program area. The illustrative cycle presented begins with a formulation of the grantee's initial plans and concludes with the closing of the expenditure record by the SEA some years later. This example assumes, first, that program administration is characterized by a formal grant approval process, and second, that project activities funded by a grant are conducted within the term of a school year. It is, therefore, characteristic of most

Elementary and Secondary Education Act (ESEA) programs. Many, though not all, of the basic elements of the cycle are common to program areas in which a formal grant approval procedure is not used. The general exceptions to the illustration are noted at the end of the section.

Exhibit 2, following this page, illustrates the cycle of activities associated with a typical State administered Federal aid program beginning with the planning stage in Year 1, through implementation of the project in Year 2, to the final report and closing of the project account which occurs in Year 3 or later.

Step 1--Tentative Project Plans Are Developed by LEAs

The planning process in which the basic characteristics of a Federally funded project are determined begins many months before the start of the fiscal year in which the project is to be conducted. For ongoing grant programs, in which virtually all agencies receive funds on a formula basis each year, LEA administrators will have a reasonably good idea of the minimum amount that they can expect to have available. As far as budget planning is concerned, therefore, Federal funds are viewed in essentially the same way as State and local revenues. But for competitive grant programs such as Title VIB of the Education of the Handicapped Act (EHA) and ESEA Title III, the funding level is typically far less certain. Throughout the planning phase, LEA Federal program administrators in most States are in frequent contact with SEA program and fiscal officials to determine (1) what types of projects will be approved, and (2) estimated funding levels.

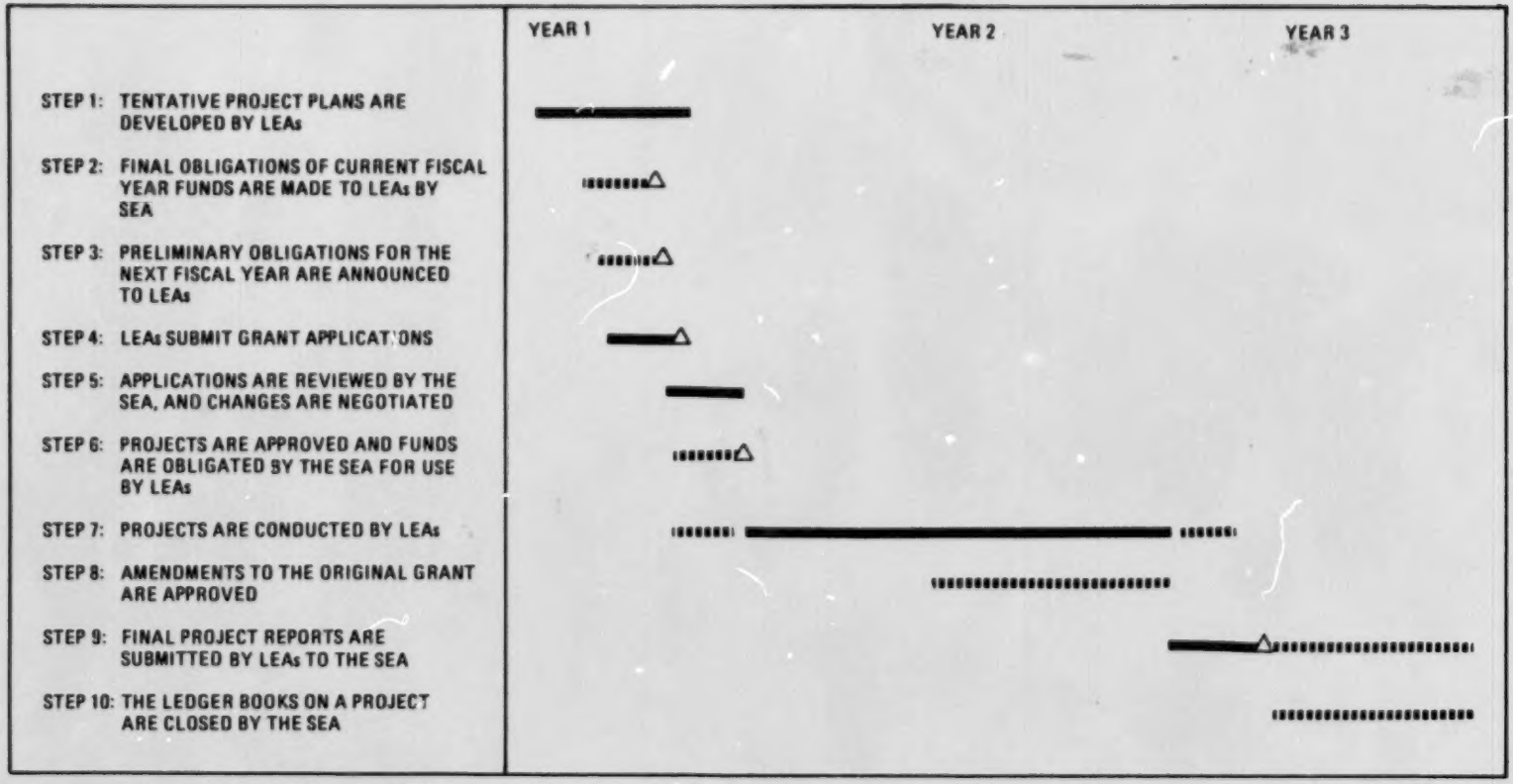
Step 2--Final Obligations of Current Fiscal Year Funds Are Made to LEAs by SEA

In the past several years, the final obligations to local agencies for the year already under way were made in late winter or early spring, when the fiscal year was more than half over. This late funding problem occurred when appropriations were enacted several months into the fiscal year. It then took an additional two to three months for the Office of Management and Budget, the USOE program offices, and the SEA program offices to complete their funding and grant administration procedures so that the SEA could notify each LEA of its final obligations. If the obligations exceeded the preliminary amount that the LEA had planned on having available, funds were frequently carried over into the following year.

EXHIBIT 2

U.S. Office of Education

TYPICAL ADMINISTRATIVE AND FUNDING CYCLE
OF A FEDERAL AID PROJECT


YEAR 1
YEAR 2
YEAR 3
STEP 1: TENTATIVE PROJECT PLANS ARE DEVELOPED BY LEAs
STEP 2: FINAL OBLIGATIONS OF CURRENT FISCAL YEAR FUNDS ARE MADE TO LEAs BY SEA
STEP 3: PRELIMINARY OBLIGATIONS FOR THE NEXT FISCAL YEAR ARE ANNOUNCED TO LEAs
STEP 4: LEAs SUBMIT GRANT APPLICATIONS
STEP 5: APPLICATIONS ARE REVIEWED BY THE SEA, AND CHANGES ARE NEGOTIATED
STEP 6: PROJECTS ARE APPROVED AND FUNDS ARE OBLIGATED BY THE SEA FOR USE BY LEAs
STEP 7: PROJECTS ARE CONDUCTED BY LEAs
STEP 8: AMENDMENTS TO THE ORIGINAL GRANT ARE APPROVED
STEP 9: FINAL PROJECT REPORTS ARE SUBMITTED BY LEAs TO THE SEA
STEP 10: THE LEDGER BOOKS ON A PROJECT ARE CLOSED BY THE SEA
NORMAL OCCURRENCE
POSSIBLE EXTENSIONS

Step 3--Preliminary Obligations for the Next Fiscal Year Are Announced to LEA

Shortly after Step 2, the SEA will notify LEAs of the expected preliminary obligation for the next year. The USOE will have given the States such information based on the current status of the appropriation bills in the House and the Senate. The preliminary obligation is added to those funds from the current fiscal year that can be carried over in determining the total amount available to be obligated to grantee agencies.

Step 4--LEAs Submit Grant Applications

Grant applications for programs obligated on a formula basis will typically be submitted in May or June of the fiscal year preceding the one in which the projects are to be conducted. Competitive grant programs usually require earlier submissions to allow more time for SEA review.

Step 5--Applications Are Reviewed by the SEA and Changes Are Negotiated

By this point, the project content and scope, as well as funding levels, will have been established. Since considerable contact has already occurred between SEA and LEAs, the changes required by SEA officials are often addressed to evaluation procedures rather than to budget or project modifications.

Step 6--Projects Are Approved and Funds Are Obligated by the SEA for Use by LEAs

In this process, the SEA approves the budget and the planned use of funds for each grant administered by a grantee agency. Though SEA approval typically occurs sometime between June and August so that projects can commence at the start of the fiscal year, some grants will be approved throughout the course of the year. For example, ESEA II and NDEA III (National Defense Education Act) grants, which are used to purchase books and equipment, respectively, are often made late in a fiscal year.

This step in the grant cycle represents the first point where (1) a key decision is made by the SEA, and (2) a formal record is made of that decision.* That record is in two forms. First, the SEA program office maintains a copy of the approved grant application form, which contains information about each project, including the pupils to be served, the project's purpose, and the budget. Second, the amount of the total budget is provided to the SEA fiscal official responsible for maintaining the accounts for that program area and approving vouchers for payment to the LEA.

Therefore, the grant award form and the approved project budget serve as the first vehicles for recording information about the decisions made by an SEA concerning the distribution and use of Federal funds to LEAs within each State. The fiscal or budgetary data included in the SEA accounting system, usually computerized, represent that which is required in the report to Congress concerning the "preceding fiscal year's distribution of grants to LEAs."

Step 7--Projects Are Conducted by LEAs

The majority of projects are supported by grants during a single fiscal year or part of that year. A number of projects will be conducted in the summer. Occasionally, projects will begin in one year and extend into a second. Projects typically are not funded for two consecutive years, though tentative approval may be given for a second and third year with the budgets for each year approved one year at a time.** Approval of grants for the purchase of equipment or consultants' services rather than the services of teachers or paraprofessional personnel may occur very late in a year for purchase during that year.

*Some grant programs, particularly those in vocational education, are administered without the formal grant approval process. This procedure is discussed later in this section.

**Exceptions to this procedure are discussed later in this chapter.

Step 8--Amendments to the Original Grant Are Approved

Throughout the term of an approved project, an LEA may request that certain changes be approved by the SEA. Amendments to grants are generally addressed to the reallocation of one line item to another line item within the total budgeted amount. Rarely do they represent major changes in a project or additions to the budget. For the most part, amendments reflect changed conditions: a particular position could not be filled or an item purchased. Amendments also reflect the following conditions:

- Notification to the State from the Federal Government of the final State-level allocations for the current fiscal year
- Reobligations of funds among local agencies based upon the agencies' current or anticipated use of the funds

The final obligation data should reflect all such amendments and be an accurate indicator of final project expenditures.

Step 9--Final Project Reports Are Submitted by LEAs to the SEA

Final grant reports, providing information on encumbrances and expenditures, typically are required to be submitted by LEAs approximately three months after the close of a fiscal year. While many districts comply with this expectation, others, particularly large city districts that administer a host of projects, are often several months or more late with their final project reports.

Step 10--The Ledger Books on a Project Are Closed by the SEA

Books on a grant usually are closed when the SEA makes its final payment to an LEA for the last expenditures incurred in connection with that grant. However, SEA fiscal officers may adjust project fiscal records after final payment has been made in order to assure that all funds available from an earlier appropriations act are expended by the State before those from a more recent act are used. For whatever

reasons, the fiscal records on a particular project are frequently not closed until two to three years after actual project activities have been concluded.

The project planning and funding cycle just described is typical of many State administered programs in most States, but it is not descriptive of a number of situations. In many States, ESEA I and III, VEA (Vocational Education Act) programs other than IB, AEA (Adult Education Act), and EHA VIB usually involve strict adherence to the standard project proposal/ SEA approval/ obligation cycle. But in other program areas, such as ESEA II and NDEA III, formal grant or project applications may not be required by SEA program officials who make formula based obligations to LEAs. The obligation serves as an upper limit on the amount for which vouchers (for expenditures that conform to Federal and State guidelines) can be approved. The SEA fiscal office then authorizes payment to LEAs for such vouchers. Guidelines in such program areas are quite specific, and expenditures for personal services are not permitted.

The above process rarely applies to programs such as VEA IB in those States in which the Federal funds are commingled with State aid.* Expenditure vouchers will be approved if they fall within Federal and State guidelines, though grantee agencies are given considerable discretion over expenditures. For LSCA grants, the State library commission typically centralizes the planning process, and funds are obligated to individual libraries or regional cooperatives in accordance with Statewide purposes. Finally, the higher education programs generally do not employ grant procedures comparable to those in the elementary and secondary education areas.**

2.2 Significant Factors Related to Federal Education Funding

Two factors that affect virtually all programs in all States complicate the collection and interpretation of grant data for Federal FY 74. The first concerns late funding; the second results from the impoundment of Federal FY 73 education funds.

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*Sections 2.3.3 (Chapter 2) and 3.2.1.2 (Chapter 3) review the problems created by commingling.

**Data on the three higher education and three public library programs were generally obtained from USOE and not collected from the States.

2.2.1 Carryover Funds

2.2.1.1 Problem: Late Funding

As noted in the previous description of the typical operation of a State administered Federal aid program, Congress did not pass the Federal FY 74 appropriations act until mid-December 1973, the sixth month of the fiscal year. As indicated earlier, grantee agencies are provided a preliminary figure to plan for based upon the continuing resolutions, but were unable, under the circumstances, to assess their final obligations until February or March of 1974. Late funding has affected the administrative process at Federal, State, and local levels since the approval in 1965 of the first appropriations act that funded the Elementary and Secondary Education Act.

2.2.1.2 Alleviation Efforts: Tydings Amendment, Advance Funding

Recognizing the problems created by the persistently late notifications of funding levels, the Congress approved two measures. The first was the Tydings Amendment (Sec. 412B, General Education Provisions Act) which gives States and grantee agencies until June 30 of the fiscal year following the year of the appropriations act to obligate all funds from the act. The carryover of Federal funds from one year to the next is a complicating factor that directly affected the reporting of data for Federal FY 74, and it will be discussed further later in this report.

In the second measure, advance funding (Sec. 802 of P.L. 93-380), the Congress strongly affirmed the implementation of Section 411 of the General Education Provisions Act providing for the appropriation of funds one year in advance of their use so that States and grantee agencies would know exactly what amounts were going to be available at the time that plans were made about the use of those funds. Advance funding was not a factor in reporting Federal FY 74 data.

States and grantee agencies had until June 30, 1974, to obligate all Federal FY 73 appropriations act funds, and until June 30, 1975, to obligate Federal FY 74 funds. The authority to carry over funds has been widely used.

It is common for the States to carry over as much as 40 to 50 percent of an allocation in some program areas. In those program areas that do not generally support personnel, some States have rolled an entire allocation over into the following fiscal year. ESEA II is a good example of 100 percent carryover, as is EHA VIB.

Most States and grantee agencies use the carryover provision to maintain stability in revenues by smoothing out fluctuations that occur in their year-to-year entitlements. At the grantee level, this can occur only in those programs, such as ESEA I, in which unobligated funds are not returned to the State at the end of the fiscal year. Where carryover can occur at the local level, Federal aid has become a far more predictable element in the development of the annual agency budget. For example, a local school district may receive an increase in its ESEA I obligation part way through a fiscal year and elect not to write proposals for the additional amount since insufficient planning time remains to permit effective use of the funds. Instead, those funds are added to the amount that is expected to be available in the following year, and projects are planned and proposals written for the combined amount. In those program areas in which obligations per district are determined on a competitive basis rather than by formula, unused funds typically revert to the State for redistribution to other districts. This may also occur in formula allocation grant programs such as VEA IB, where the State does not permit carryover at the grantee level, and in ESEA I if a grantee agency does not plan to use its obligation. *

2.2.1.3 Consequences

Carryover presents two problems in the reconciliation of grantee agency and State figures and in the interpretation of data.

- The sum of funds obligated to agencies within a State during a given fiscal year may not match the amounts available for obligation at the State level
- District-to-district aid distributions may be distorted

*Some local school districts receive such small entitlements that they elect to return the funds to the State to be redistributed to other districts rather than to develop a cooperative project with neighboring districts that may be similarly situated.

2.2.1.3.1 State Obligation Totals

If grantee agencies intentionally do not budget--submit proposals for--all of the funds that are available to them through an obligation, the total of funds obligated to agencies in a given program area will be less than the funds available to the State for obligations. For this reason, the field teams during this collection effort reconciled the sums of obligations to grantee agencies with the total amount that the State program officials said that they obligated as well as with the amount available for obligations.

2.2.1.3.2 Distribution Patterns: Potentially Misleading

In program areas such as ESEA III and EHA VIB, in which grants are awarded on a competitive basis, with relatively few districts receiving awards, some school districts received Federal FY 74 funds in two consecutive fiscal years, but both grants derived from the same appropriation act. Exhibit 3, following this page, illustrates this situation.

Both District A and District B received grants of $40,000 during the 1973-74 and 1974-75 fiscal years. District A's 1973-74 funds were carried over by the State from the Federal FY 73 appropriation act, and its 1974-75 funds were from the Federal FY 75 act. District B's grants in both years were from the Federal FY 74 act, with the 1974-75 grant supported by carryover funds.

Analysis of Federal aid during the fiscal year (the period from July 1 to June 30) would show that District A and District B each received $40,000 for projects that were conducted in each of the two fiscal years. But an analysis of projects funded out of the Federal FY 74 appropriation act would show that District B received $80,000 while District A received nothing, certainly a distortion of the actual distribution decision made by the program office. Moreover, the determination from which appropriation act to fund a given grant may have been made by the finance office for purely fiscal reasons of convenience.

2.2.2 FY 1973 Impoundments

During the Federal fiscal year 1973, the Congress approved a level of appropriations for education that was higher than that which the Executive branch desired. As an alternative to a veto of the legislation, those funds in excess of the Federal FY 72 level were impounded, and the continuing resolution made funds available for

EXHIBIT 3

U.S. Office of Education

IDENTICAL AWARDS TO TWO DISTRICTS COMPARED BY FISCAL YEAR AND APPROPRIATIONS ACT

Source of Funds	Fiscal Year of Award			
Appropriation Act	District A		District B	
	1973-74	1974-75	1973-74	1974-75
FY 1973	$40,000	-	-	-
FY 1974	-	-	$40,000	$40,000
FY 1975	-	$40,000	-	-
Total by Fiscal Year				
73-74	$40,000		$40,000	
74-75	$40,000		$40,000	
Total by Appropriation Act				
FY 1973	$40,000		-	
FY 1974	-		$80,000	
FY 1975	$40,000		-	

use during Federal FY 73 at the Federal FY 72 level. The additional funds that had been impounded were not released until Federal FY 74. Therefore, the total funds actually available to States and grantee agencies during Federal FY 74 included the following:

- FY 1973 Carryover Funds
- FY 1973 Impounded Funds
- FY 1974 Initial allocations available through the continuing resolution

Normally, funds are obligated by SEA's on a first in, first out basis. Because an unusually large amount of funds was carried over into fiscal 1974, much of the 1974 appropriations had to be carried over into FY 1975, resulting in a distortion in the normal flow of Federal funds.

2.3 Significant Factors Related to State Uses of Federal Funds

Factors affecting the interpretation of the reported data that generally characterize some program areas in some States but are not necessarily common to all grant programs include:

- Moving budgets
- Over- and underbudgeting
- Commingling of Federal and State funds
- Grants to intermediaries
- Multi-year funding

2.3.1 Moving Budgets

Federally funded projects and their budgets are often amended throughout the course of a project year. Local conditions may change, a particular position may not be filled, or a set of materials may not become available as anticipated. Amendments to a project plan or budget are necessary from a practical standpoint, but they produce various pictures of the fund distribution pattern, depending on the time of data capture.

If the grantee records do not reflect all adjustments or amendments made, the fiscal data will not reconcile with final State obligation amounts available. Since the records only reflect the budget at one moment in time, it becomes important to ensure that all final amendments have been included.

2.3.2 Over- and Underbudgeting

The practice of over- or underbudgeting of grants--SEA approval of grant budgets larger or smaller than the amount of funds available--contributes to difficulty in reporting final obligations. Some grantee agencies write project proposals for less than the total amount of funds available to them for a given fiscal year. In like manner, State program officials often consciously overobligate funds at the start of a fiscal year. Overobligating becomes a practical management technique when, for one reason or another, many districts do not use all of the Federal funds available, and unused funds revert to the State to be reobligated to other districts. For example, if a State's experience in prior years indicates that five percent of the original total obligated amount will be unused by the end of the fiscal year, State program officials will overobligate by five percent. Such officials will closely monitor the use of funds in local school districts, and when it is clear which districts will have unexpended funds, they will redistribute the unused funds to those districts that require additional funds.

In obtaining data to report for Federal FY 74, the field collection teams used the best and most readily available source. This meant that if the best and most available source did not include information about final redistributions, the reported data may vary from the amounts finally made available to some individual grantee agencies. The resulting differences would probably be no more than five to ten percent from the true final obligation amount.

2.3.3 Commingling of Federal and non-Federal Funds

Analyzing the distribution and uses of Federal funds is difficult when State categorical aid is commingled with Federal aid, as is prevalent in VEA IB and other similar programs. Two types of commingling were found during data collection:

- Fiscal commingling--The sum of Federal and State funds is viewed by the State as the total available to be obligated to grantee agencies; no distinction in source of funds is made at the time of obligation, and fiscal officers make the purely arbitrary decision as to whether an expenditure will be paid from Federal or State funds at the time of payment. Fiscal commingling is more typical in, and particularly characteristic of, vocational education programs. Where it occurs, it is impossible to identify the specific distribution of Federal funds; instead, the Federal and State funds are reported together.

- Programmatic commingling--Federal and State funds are kept separate and easily identifiable, but at the grantee level they are used to support a common program which has been approved as a single entity by the SEA. Programmatic commingling is less common, but blurs the attribution of project purposes and participants to the Federal share.

2.3.4 Grants to Intermediate Agencies

Grants in a number of program areas are made to local or other State agencies in which the ultimate users of the Federal funds are difficult, if not impossible, to determine. The Federal FY 74 data were traced only to the grant administering agency; if activities supported by the grant were actually conducted by another subagency below the grantee, information on ultimate user agencies was generally not reported. The following general examples illustrate the implications of the process.

2.3.4.1 Intermediate Units

Intermediate school districts, Boards of Cooperative Educational Services (BOCES) and Joint Vocational Districts (JVD) frequently serve as grantee agencies for VEA and EHA VIB grants and occasionally for grants under ESEA I and III. The pupils served under a grant are usually residents of a participating local school district, and the services are often provided in the individual districts. The data reported by the States do not include information below the intermediate unit administering the grant, and there is no way of recording the services received by pupils in each local district.

2.3.4.2 Local School Districts

A similar situation occurs when several, usually very small, school districts band together to obtain a grant, but only one of the districts serves as the grantee agency. This is a common practice in States with a number of small districts that are eligible to receive ESEA I funds, but which can support a particular activity, e.g., hiring a remedial reading teacher, etc., only when their small individual obligations are combined. The reported data may create the appearance that only a portion of small districts in a State receive grants when, in fact, a much larger number of districts may be receiving the benefits of those funds.

2.3.4.3 State Agencies

State agencies other than a State education department may serve as a grantee agency, and in turn distribute funds to individual institutions throughout the State. For example, grants under the P. L. 89-313 amendment to ESEA I are commonly made to a State's mental health department. In such cases, the information reported on grants and grantee agencies is at an intermediate level rather than at a final recipient level, e.g., a State mental hospital. No information on individual recipient institutions is provided.

2.3.5 Multi-year Funding

The typical grant program illustrated earlier in this chapter assumed that the activities supported by the grant were conducted within the period of a single year. While this pattern characterizes the vast majority of grants awarded under the 26 State administered Federal aid programs, two exceptions must be noted.

First, some grants overlap two years, for example, starting in February and ending in November. Where the data provided are for the Federal FY 74 appropriations act, no problem is presented for interpretation of the observed distribution patterns. But where the data are reported by fiscal year, the resulting figures overstate the benefits that actually accrued to the grantee agency during that year. Instead, the data indicate only the funds obligated during the year.

Second, most States typically obligate only one year at a time for projects that continue for two or three years, while giving tentative approval for the entire design. A few States, however, take the opposite approach by obligating funds for two-year periods from those funds available during the first year. Thus, the administrative funding procedure used gives the appearance of the State's providing larger grants to a smaller number of districts.

3.0 CHARACTERISTICS OF STATE RECORDS FOR FEDERAL GRANT ADMINISTRATION

This chapter describes the characteristics of the State records which were used to supply the data for the first year's report. It describes the specific data items sought for the first year, certain aspects of State recordkeeping systems which influenced the amount and quality of the data collected, and the characteristics of the data themselves. The narrative concludes with comments on the usefulness as well as limitations in the analysis and interpretation of the data.

3.1 Data Items Sought for the First Annual Report

As indicated in Chapter 1, the first year's data collection was constrained by the current capabilities of State education agency recordkeeping systems and the limited time allotted for the collection of the data and preparation of the first annual report. To build relationships with the State education agencies and ensure the success of the future year's reporting activities, USOE decided to focus on those data which were most readily obtainable from the States and at the same time were consistent with the basic intent of the legislation. Accordingly, certain data item priorities were established as well as alternative or acceptable items in the event that the desired data were unavailable. The next two subsections describe these data categories. A more detailed discussion of the rationale used in selecting the data to be collected is presented in the Appendix.

3.1.1 Data Item Priorities

The data item priorities for the first annual report were the following:

- Fiscal Data--Final obligations made by the State to each substate agency from Federal FY 74 funds for each State administered program. Final obligations are defined as the latest budget amount of awards to substate agencies, reflecting all amendments and obligations. Data would be aggregated to the substate agency.

- Beneficiary Data--Number of direct participants in projects operated by each substate agency supported by Federal FY 74 funds. Data would be aggregated to the substate agency.

- Purpose Data--For ESEA IA and VEA IB, an indication of the purposes for which Federal FY 74 funds were used by each recipient substate agency. These programs were selected since they receive the greatest amount of Federal funding and generally distribute funds to the widest range of eligible substate agencies. As for fiscal and beneficiary data, purpose data were to be recorded on a substate agency level rather than an individual project level.

According to the legislation, the above data were collected for the "second preceding fiscal year," Federal FY 74. Data were not obtained for the "first preceding fiscal year," Federal FY 75, due to the late start in the collection activity and the magnitude of the effort required to collect data for the two appropriation years.

In lieu of the detailed substate obligations made from Federal FY 75 funds, total obligations made by the States as of June 30, 1975, from Federal FY 75 funds were collected for each program area to determine the carryover of Federal funds to the following year.

Additionally, to permit ready identification of substate agency recipients, two other data items were sought. These were:

- Agency Name--Official name of all grant recipients of Federal FY 74 funds for each of the 26 State administered programs.

- Agency Type--Identification of each substate agency receiving Federal FY 74 funds as to organizational form, i.e., local education agency (LEA), institution, intermediate school district, or a State agency.

3.1.2 Alternative Acceptable Data Items

The above data items constituted the first collection priorities. In the event that desired fiscal or beneficiary data were not readily available, several alternatives were established.

- Fiscal Year Obligations--In the event that the State records would not readily identify substate obligations made from Federal FY 74 funds, data on substate obligations

made during the 1973-74 fiscal year were to be recorded. Such data represent funds obligated for a given period of time--in this case the 1973-74 fiscal year. The funds may include FY 74, FY 73 carryover, or FY 73 impounded funds.

- Initial or Intermediate Obligations--In the event that final obligations reflecting all amendments and reobligations were not readily available, the initial or intermediate obligations were to be recorded.

- Estimated Beneficiaries--If data on actual direct beneficiaries served by the projects in each substate agency were not available, planned or estimated beneficiaries were to be recorded to provide an indication of the target population reached. Further, if beneficiaries could not be related to specific projects funded by the Federal FY 74 appropriation act, total beneficiaries served by the substate agency during the 1973-74 fiscal year were to be recorded.

Considerable variability was permitted in the first year's collection effort. Such variability limits the analyses which can be performed on the data. A more detailed discussion of the data characteristics and limitations on the analysis and interpretation of the data is presented in the final section of this chapter.

3.2 Characteristics of State Data and Recordkeeping Systems

The previous section described the data items sought during the first year's collection effort.

This section discusses the specific characteristics of the data. The following section describes the impact of such characteristics on the interpretation and analyses of the data.

As discussed earlier, the primary data sought for each State administered program in the first year were the following:

- Final obligations to substate agencies made from Federal FY 74 appropriation act funds

- Actual direct beneficiaries served in substate agencies from projects supported by Federal FY 74 funds

- Purposes served in substate agencies by projects supported by Federal FY 74 funds for two State administered programs--ESEA IA and VEA IB

Generally, the same type of data was obtained for a given program area within a particular State. For example, final obligations made from Federal FY 74 funds were available for all substate agencies within the ESEA IA program in State X. However, the data characteristics varied among program areas within a given State and among States for given program areas. For example, in contrast to the ESEA IA program example presented above, the financial data collected for the VEA IC program in State X may represent final obligations made from commingled Federal and State funds during the 1973-74 fiscal year. Similarly the ESEA IA data for State Y may represent initial rather than final obligations made during the 1973-74 fiscal year. A more detailed discussion of data characteristics follows.

3.2.1 Fiscal Data

Difficulties encountered in attempting to obtain final obligations made to substate agencies from Federal FY 74 funds included:

- Separating funds from different Federal appropriation years in grants made to substate agencies
- Separating Federal and State funds in grants made to substate agencies
- Data from different points in the funding cycle
- Identifying unused funds returned to the USOE or to the SEA
- Separating obligations made by the SEA from State administered program funds and the Commissioner's discretionary funds

3.2.1.1 Separating Funds from Different Federal Appropriation Years

State records occasionally did not readily identify the Federal appropriation year for obligations made to substate agencies. In such cases, the collected data represent funds obligated to substate

agencies during the 1973-74 fiscal year. These funds may include Federal FY 74 funds, Federal FY 73 carryover funds, and Federal FY 73 impoundment funds.

3.2.1.2 Commingled Federal and State Funds

For certain State administered programs with heavy State matching funds, such as Vocational Education programs, many States were unable to separate Federal and State funds in obligations to substate agencies. (As discussed earlier in Chapter 2, the differentiation is established at the time of expenditure, frequently by fiscal officers on the basis of the order in which checks are written. Since obligations rather than expenditures were sought, the separation of Federal and State funds was frequently not available.) The collected data, therefore, include figures representing the total amount of Federal and State funds awarded to the substate agencies for the 1973-74 fiscal year.

Exhibit 4, following this page, shows the range of commingling highlighted below:

- ESEA Program Grouping--For the ten programs comprising ESEA I, II, III and V, the collection of funds made from the Federal FY 74 appropriation act was feasible. The percentage of States and territories providing the FY 74 appropriation data within each program ranged from a low of 89 percent for the ESEA I Neglected and Delinquent Program to a high of 100 percent for the ESEA I State administration and ESEA V programs.

- VEA Program Grouping--The seven programs comprising the VEA group reflected the widest variance of data provided. The percentage of States and Territories providing the FY 74 appropriation data within each program ranged from a low of 57 percent for the VEA IG program to a high of 61 percent for the VEA IB and VEA IC programs. The percentage of States and Territories providing commingled Federal appropriation year funds for the 1973-74 fiscal year ranged from a low of 21 percent for the VEA IB Basic Grants program to a high of 27 percent for the VEA IB Special Needs and VEA IG programs. The remainder of States and Territories provide commingled State and Federal funds for the 1973-74 fiscal year.

EXHIBIT 4

U.S. Office of Education

SUMMARY OF FISCAL DATA CHARACTERISTICS
WITH RESPECT TO OBLIGATIONS FOR
FEDERAL FY 74
STATE ADMINISTERED PROGRAMS

OMB Catalog Numbers		OBLIGATION CONTENT								
		(1) FY 74 Federal Funds	% Federal Funds	(2) Commingled Federal Funds	% of Commingled Federal Funds	(3) Commingled Federal and State Funds	% of Commingled Federal and State Funds	(4) Prorated Federal Funds	% of Prorated Federal Funds	Not Funded
13.400	AEA III - Adult Ed.	40	71%	7	13%	9	16%			
13.427	ESEA I - Handicapped	50	94%	3	6%					3
13.429	ESEA I - Migrants	44	94%	3	6%					9
13.430	ESEA I - State Administration	56	100%							
13.431	ESEA I - N&D	47	89%	5	9%			1	2%	3
13.428	ESEA IA - LEA	54	96%	2	4%					
13.512	ESEA IB - Special Incentive	24	96%	1	4%					31
13.511	ESEA IC - Urban & Rural	44	96%	2	4%					10
13.480	ESEA II - Libraries	53	95%	3	5%					
13.519	ESEA III - Educational Centers	53	95%	3	5%					
13.486	ESEA VA - Grants to States	56	100%							
13.449	EHA VIB - Handicapped	53	95%	3	5%					
13.483	NDEA III - Strengthening Inst.	51	91%	4	7%	1	2%			
13.464	LSCA I - Grants			56	100%					
13.408	LSCA II - Construction	Not Funded in FY 74								
13.465	LSCA III - Interlibrary	5	9%	50	91%					1
13.493	VEA IB - Basic Grants	34	61%	12	21%	9	16%	1	2%	
13.499	VEA IB - Special Needs	33	59%	15	27%	7	13%	1	2%	
13.498	VEA IC - Research	34	61%	13	23%	8	14%	1	2%	
13.502	VEA ID - Innovation	33	59%	14	25%	8	14%	1	2%	
13.494	VEA IF - Homemaking	33	59%	14	25%	8	14%	1	2%	
13.495	VEA IG - Cooperative Ed.	32	57%	15	27%	8	14%	1	2%	
13.501	VEA IH - Work Study	32	58%	14	25%	8	15%	1	2%	1
13.491	HEA I - Community Services	55	100%							1
13.548	HEA IVA - Student Incentives	40	100%							16
13.453	Morrill Act - Land Grants	54	100%							2

OBLIGATION CONTENT

(1) = Obligations made from Federal FY 74 funds.

(2) = Obligations made during FY 74 (includes Federal 1973 carry-over, Federal 1973 Impounded and Federal 1974 funds for 1973-1974 fiscal year).

(3) = Commingled Federal and State funds for 1973-1974 fiscal year.

(4) = Prorated Federal funds representing a statewide ratio of commingled Federal and State funds.

Note: Percentage shown is the proportion of States having the subject data.

- AEA Program--For this program, 71 percent of the States and Territories provided the FY 74 appropriation data, 13 percent provided commingled Federal appropriation year funds, and 16 percent provided commingled Federal and State funds for the 1973-74 fiscal year.

- NDEA Program--For this program, 91 percent of the States and Territories provided the FY 74 appropriation data. Seven percent provided commingled Federal appropriation funds, and the remainder provided commingled Federal and State funds for the 1973-74 fiscal year.

- EHA Program--For this program 95 percent of the States and Territories provided the FY 74 appropriation data. The remainder provided data representing commingled Federal appropriation year data for the 1973-74 fiscal year.

- HEA (Higher Education Act) Program Grouping--All data for this group represent FY 74 appropriation funds.

- LSCA Program Grouping--For the two programs comprising this group, the data generally represent commingled Federal appropriation act funds for the 1973-74 fiscal year.

3.2.1.3 Collection of Data at Different Points in the Funding Cycle

As stated earlier, the primary data sought were the final obligations to the substate agencies. However, due to wide variations in State recordkeeping systems, final obligations were frequently not available. In these situations, one of three alternatives was selected to provide the necessary financial data.

- Intermediate Obligations--These data represent other than the final obligation to the recipient agencies. Unused funds returned to the State or additional funds awarded to the agency are not reflected in these data.

- Expenditures--These data represent the actual amount of funds the grantee agency had expended to date as of the time of the collection effort and not necessarily the total amount obligated to the agency.

- Disbursements--These data represent the actual cash amounts advanced or reimbursed to the grantee agencies.

Exhibit 5, following this page, displays the characteristics of the fiscal data with respect to the funding cycle. The following paragraphs highlight the findings by program grouping.

- ESEA Program Grouping--Final obligations from the SEAs were available from an average of 92 percent of the States and Territories for these ten programs.

- VEA Program Grouping--Final obligation data were generally available, with an average of 78 percent of the States and Territories reporting final obligations for each of the seven Vocational Education programs.

- AEA Programs--Final obligation data were available from 86 percent of the States and Territories, with 12 percent of the States and Territories reporting intermediate obligations, and two percent providing expenditure data.

- NDEA Programs--Final obligation data were available from 86 percent of the States and Territories, ten percent of the States and Territories provided intermediate obligations, two percent provided expenditures, and two percent provided disbursement data.

- EHA Programs--Final obligation data were available from 95 percent of the States and Territories, with the remaining five percent providing intermediate obligations.

- HEA Program Grouping--Final obligation data were available for 98 percent of the States and Territories and intermediate obligations were provided for two percent of the States.

- LSCA Program Grouping--Expenditure data were provided for 100 percent of the States and Territories receiving funds under LSCA I, and 91 percent of the States receiving funds under LSCA III. LSCA II was not funded in 1974.

EXHIBIT 5

U.S. Office of Education

SUMMARY OF FISCAL DATA CHARACTERISTICS WITH RESPECT TO THE FUNDING CYCLE FOR FEDERAL FY 74 STATE ADMINISTERED PROGRAMS

OMB Catalog Number	PROGRAM TITLE	FUNDING CYCLE								
		Intermediate Obligations	% of Intermediate Obligations	Final Obligations	% of Final Obligations	Expenditures	% of Expenditures	Disbursements	% of Disbursements	Not Funded
13.400	AEA III - Adult Ed.	7	12%	48	86%	1	2%			
13.427	ESEA I - Handicapped	3	6%	50	94%					3
13.429	ESEA I - Migrants	5	11%	42	89%					9
13.430	ESEA I - State Administration	5	9%	51	91%					
13.431	ESEA I - N&D	3	6%	50	94%					3
13.428	ESEA IA - LEA	6	11%	50	89%					
13.512	ESEA IB - Special Incentive	4	16%	21	84%					31
13.511	ESEA IC - Urban & Rural	3	7%	43	93%					10
13.480	ESEA II - Libraries	5	9%	51	91%					
13.519	ESEA III - Educational Centers	2	4%	54	96%					
13.486	ESEA VA - Grants to States			56	100%					
13.449	EHA VIB - Handicapped	3	5%	53	95%					
13.483	NDEA III - Strengthening Inst.	6	10%	48	86%	1	2%	1	2%	
13.464	LSCA I - Grants					56	100%			
13.408	LSCA II - Construction		Not Funded in FY 74							
13.465	LSCA III - Interlibrary	5	9%			50	91%			1
13.493	VEA IB - Basic Grants	9	16%	42	75%	3	5%	2	4%	
13.499	VEA IB - Special Needs	7	13%	44	79%	3	5%	2	4%	
13.498	VEA IC - Research	8	14%	44	79%	2	4%	2	4%	
13.502	VEA ID - Innovation	7	13%	45	80%	2	4%	2	4%	
13.494	VEA IF - Homemaking	8	14%	43	77%	3	5%	2	4%	
13.495	VEA IG - Cooperative Ed.	8	14%	44	79%	2	4%	2	4%	
13.501	VEA IH - Work Study	7	13%	44	80%	2	4%	2	4%	1
13.491	HEA I - Community Services			55	100%					1
13.548	HEA IVA - Student Incentives	1	2%	39	98%					16
13.453	Morrill Act - Land Grants	1	2%	53	98%					2

Note: Percentage shown is the proportion of States having the subject data.

3.2.1.4 Identification of Unused Funds Returned to USOE or to the SEA

Occasionally, State recordkeeping systems did not reflect unused funds returned to USOE or to the State education agency. While the State accounting records were adjusted to reflect the return, data source records in individual agencies occasionally were not updated with the amendments to show the changes in final funds obligated. As a result, in some situations, the grantee obligation amounts are overstated.

3.2.1.5 Separation of Obligations Made from State Administered Program Funds and the Commissioner's Discretionary Funds

When the source documents containing data on the obligations to substate agencies included monies from the Commissioner's discretionary funds and the SEA records did not permit separation of the two sources in grants to substate agencies, the obligation amounts for the local agencies were overstated.

3.2.2 Beneficiary Data

Difficulties encountered in the collection of beneficiary data for the applicable programs include:

- Unavailability of actual direct beneficiary data
- Duplicate counting
- Absence of a common method for counting beneficiaries
- Difficulty in identification of beneficiaries served by source of funds
- Incomplete beneficiary data

3.2.2.1 Unavailability of Actual Direct Beneficiaries Data

In many of the programs, the only sources of beneficiary data were project proposals or grant applications containing estimated counts. In such cases, counts of actual beneficiaries were generally not maintained. The data, therefore, contain a combination of both actual and estimated (i.e., before the fact) counts in several programs.

3.2.2.2 Duplicate Counting

States frequently maintained beneficiary counts by individual course or project, resulting in a duplicate count when aggregated to a grantee level.

3.2.2.3 Absence of a Common Denominator in Counting Beneficiaries

No standard method existed among the States for counting beneficiaries, and no attempt was made to standardize the counts to any one system. The methods used include average daily membership and average attendance.

3.2.2.4 Difficulty in Identification of Beneficiaries Served by Source of Funds

In programs supported by both Federal and State funds, such as Vocational Education, it was frequently not possible to isolate beneficiaries serviced from strictly Federal funds. As a result, total beneficiaries served by the combined sum of Federal and State funds are shown.

3.2.2.5 Incomplete Beneficiary Data

Several States could not provide beneficiary counts of either an actual or estimated nature for some programs. In these situations, the data were omitted from the report.

Exhibit 6, following this page, presents by program several characteristics associated with the beneficiary data. The following descriptions are presented to illustrate the extent of the characteristics in the major program groups.

- ESEA Program Grouping--Beneficiary data were generally available for the grouping but often reflected estimated counts for the 1973-1974 fiscal year. Actual counts were provided for a range of 21-45 percent of the States and Territories for each of the programs.

- VEA Program Grouping--Beneficiary data reflect variances in recording procedures. Figures are generally estimates and often are composed of duplicate counts.

EXHIBIT 6

U.S. Office of Education

SUMMARY OF BENEFICIARY DATA CHARACTERISTICS FOR FEDERAL FY 74 STATE ADMINISTERED PROGRAMS

OMB Catalog Number	PROGRAM TITLE	BENEFICIARIES						
		% Not Collected	% Not Collected	Estimated Beneficiaries	% of Estimated Beneficiaries	Actual Beneficiaries	% of Actual Beneficiaries	Not Funded
13.400	AEA III - Adult Ed	1	2%	21	37%	34	61%	
13.427	ESEA I - Handicapped	3	6%	26	49%	24	45%	3
13.429	ESEA I - Migrants	1	2%	29	62%	17	36%	9
13.430	ESEA I - State Administration	* 56	100%					
13.431	ESEA I - N & D	3	6%	28	53%	22	41%	3
13.428	ESEA IA- LEA	2	4%	29	52%	25	44%	
13.512	ESEA IB - Special Incentives	4	16%	13	52%	8	32%	31
13.511	ESEA IC - Urban & Rural	15	33%	21	46%	10	21%	10
13.480	ESEA II - Libraries	** 56	100%					
13.519	ESEA III - Educational Centers	8	14%	31	55%	17	30%	
13.486	ESEA VA - Grants to States	* 56	100%					
13.449	EHA VIB - Handicapped	2	4%	31	55%	23	41%	
13.483	NDEA III - Strengthening Inst.	** 56	100%					
13.464	LSCA I - Grants	** 56	100%					
13.408	LSCA II - Construction	Not Funded in FY 74						
13.465	LSCA III - Interlibrary	** 55	100%					1
13.493	VEA IB - Basic Grants	3	5%	38	68%	15	27%	
13.499	VEA IB - Special Needs	13	23%	26	46%	17	30%	
13.498	VEA IC - Research	** 56	100%					
13.502	VEA ID - Innovation	** 56	100%					
13.494	VEA IF - Homemaking	6	11%	32	57%	18	32%	
13.495	VEA IG - Cooperative Ed.	3	5%	33	59%	20	36%	
13.501	VEA IH - Work Study	8	15%	24	44%	23	42%	1
13.491	HEA I - Community Services	1	2%	54	98%			1
13.548	HEA IVA - Student Incentives	1	2%			39	98%	16
13.453	Morrill Act - Land Grants			54	100%			2

* N/A – ADMINISTRATIVE PROGRAMS ONLY
** N/A – NO DIRECT BENEFICIARIES; POPULATION TOTALS ONLY

Note: Percentage shown is the proportion of States having the subject data.

Many States maintained beneficiary data by course or classroom rather than by individual vocational education program and by individual recipient agency. Actual counts were provided for a range of 27-42 percent of the programs in each of the States and Territories.

- AEA Program--Beneficiary data were available from all but one territory. Sixty-one percent of these figures reflect actual beneficiaries, and 37 percent reflect estimated figures as obtained from project applications.

- NDEA Program--Direct beneficiary data were not collected for this program since participants in various programs were generally perceived to include an entire school population.

- EHA Program--Data on beneficiaries were generally available and reflect estimated counts for 55 percent of the States and Territories. Forty-one percent of the States provided actual counts.

- HEA Program Grouping--Beneficiary data are representative of 100 percent actual participants in the HEA IVA program and of estimated participants in the other two programs.

- LSCA Program Grouping--Beneficiary data were not collected for the two LSCA programs because the beneficiaries of projects funded under this act generally included entire community populations.

3.2.3 Purpose Data

Because it was not feasible to obtain the funds obligated or expended by purpose category for the initial report to Congress, only general indicators as to the types of courses offered or the target population sought were collected. The selected categories, while not inaccurate in reflecting the programs' general purposes, proved to be restrictive in practice; several additional purpose categories should have been included. For example, although the majority of substate agencies in ESEA IA did spend the obligated funds for the designated categories of reading or math, discretion in the use of the funds resulted in a number of additional uses to which projects were directed. These purposes were not represented by one of the predefined purpose categories. In these situations, the

"other," losing the identity of the actual use of the grant. (Use of the money for preschool programs represented a large portion of the "other" category for ESEA IA.)

3.2.4 Grantee Identification Data

Deficiencies in grantee identification data generally result from one or both of two conditions:

- Lack of uniform coding structure
- Inability to identify the final grant recipient

3.2.4.1 Lack of a Uniform Coding Structure

There is no uniform coding system among the States. Many States frequently did not maintain a standard intrastate coding structure for all substate agencies applicable across all programs, and in many records grantee agencies were identified solely by a descriptive name. For example, the source document in ESEA IA may have recorded obligations against the grantee identified as "Jefferson County" (a county descriptor), while in the VEA IB program, the same grantee agency may have been listed as "Hillsborough" (a city descriptor).

3.2.4.2 Identification of Final Grant Recipient

A decision was made at the start of the collection effort to restrict the data collection to the first grantee receiving funds from the State education agency. No attempt was made to collect subobligations (i.e., to identify the ultimate recipient of the grant). For example, an SEA often awarded money for ESEA I Neglected and Delinquent to a State department of corrections. In this case, the department of corrections was identified as the final recipient, even though subobligations may have been made from the department of corrections to several individual penal institutions under its jurisdiction.

3.3 Limitations to Data Interpretation and Analysis

The previous section described the characteristics of the fiscal, beneficiary, and purpose data collected for the various programs.

To the degree that these characteristics render the data incompatible, interstate and intrastate comparisons and aggregations lose their legitimacy. The following constitute the major blocks to the legitimate data combinations and comparisons necessary to extended analysis and interpretation:

- Obligations in which monies from more than one Federal appropriations act are combined
- Obligations in which State and Federal funds are commingled
- Cases in which the fiscal data represent expenditures, not obligations
- Duplicating beneficiary counts, counts derived by incompatible means, and counts reflecting the combined effect of Federal and State funds
- Occasional instances in which obligations and beneficiary counts cover differing time periods

3.3.1 Reconciling Substate Obligations With USOE Allocations to the States

In those programs where the fiscal data collected reflected funds from more than one appropriation act, or commingled Federal and State funds, the substate agency obligation amounts cannot be reconciled with the funds allocated by USOE to the States under the 1974 appropriation act. For example, the data provided for VEA IB in North Carolina represented commingled Federal and State funds for the 1973-74 fiscal year. Obligation amounts for substate agencies summed to $29,520,000 at the State level. This contrasts with a total of $12,793,000 awarded to North Carolina by USOE for the VEA IB program from the 1974 appropriation act. The difference of $16,727,000 is due primarily to the inclusion of the State matching funds in the obligation figures. Other factors mentioned earlier, such as use of intermediate obligations or expenditures as opposed to final obligations, also make reconciliation impossible.

3.3.2 The Parameters of Legitimate Interstate and Intrastate Comparisons

Generally, intrastate analysis for a given program area is sound. However, analysis across programs within a State or interstate analysis are limited by the characteristics of the fiscal data.

For programs in which the fiscal data represent final obligations made from Federal FY 74 funds, a valid comparison of the fiscal data can be made among the States to gain an overall picture of fund distribution. The comparison is misleading when obligation data represent commingled Federal and State funds; the ratio of State matching funds to Federal funds is not uniform from State to State.

Three general statements can be made regarding the intrastate and interstate analysis of the fiscal data.

(1) Within a State, within a program, the data generally are of the same type and thus a valid comparison of distribution of funds to substate agencies can be made. The exception is in those cases where the data represent expenditures, since all expenditures may not have occurred or have been reported, and thus an understatement of the final distribution amounts is probable.

(2) Within a State, across programs, analysis of distribution of funds is restricted because the characteristics of the fiscal data may vary from program to program. Thus the obligation amounts for a given grantee agency for ESEA II may represent only Federal funds, while amounts for VEA IB may represent combined Federal and State funds.

(3) Across States, analysis of distribution of funds in given programs is again restricted since the data characteristics for certain programs may differ among States. Thus, in some States, fiscal data for vocational education funds represent only Federal funds, while in other States, the data may represent commingled Federal and State funds, with varying ratios of State to Federal funds.

3.3.3 Comparison of Obligation Amounts and Beneficiary Counts

The lack of a standard method for counting beneficiaries and the inclusion of duplicated counts restricts both the interstate and interprogram comparison of beneficiary counts. Further, no attempt should be made to compute ratios of obligations to beneficiaries because the two items occasionally cover different time periods, and since beneficiaries frequently reflect the combined effect of Federal and State funds.

The data in this report permit only limited comparisons of distribution of funds among the States and among programs in individual States. Examination of the exhibits illustrating the different data characteristics within the various program areas will help to prevent misleading analyses and interpretations of the data.

4.0 GLOSSARY

- Advance Funding--Completion of all required legislative and administrative action necessary to allocate Federal education funds prior to the start of the period for which the funds are to be used.

- (AEA) Adult Education Act--Adult Education Grants to States (OMB Cat. No. 13.400).

- Agency Name--Descriptive title of the recipient of Federal education funds responsible for the administration of the specific program.

- Agency Type--Organizational form of the agency reviewing and administering Federal education funds. Specific agency types include and were coded throughout the collection and processing effort, as follows:

  - Code 1--Local Education Agency (LEA)--A public board of education or other public authority legally constituted within a State for either administrative control or direction of elementary and secondary education.

  - Code 2--Institution--An organizational unit such as a private or public school, church, community college, hospital, or reformatory, having a social, educational, or religious purpose.

  - Code 3--Intermediate School District--An organizational unit with administrative and fiscal authority to provide and operate educational programs on a regional or multi-school district basis.

  - Code 4--State--(1) Programs operated by any State government department or division, such as the department of mental health or the division of corrections, (2) programs administered directly by the State education agency, and (3) funds used at the State level for administrative purposes. The distinction between Code 2 and Code 4 for government organizations rests on whether a facility

(Code 2) or an administrative department (Code 4) received the funds.

- Code 5--Other--A catch-all category for the inclusion of unclassified agencies, such as a labor union or the Red Cross.

- Allocation--The dollar amount for a fiscal year that is awarded from the U.S. Office of Education to the State.

- Appropriation--An authorization granted by the Federal Government from which allocations to the SEAs can be made.

- Beneficiaries/Participants--The enrollments in a given program or project, or the teachers receiving inservice training. Beneficiaries may be either actual or estimated counts. An actual direct beneficiary count represents the participants as recorded on an evaluation report, while estimated direct beneficiary counts represent the projected participants; the latter information would normally appear on a grant application.

- Carryover Funds--Funds that are not obligated during the current fiscal year and may be available for distribution the next fiscal year (but not necessarily to the same project).

- Commingled Funds--Funds which are mixed by Federal appropriation year, or by funding source, for example:

  - Funds representing the sum of Federal FY 74 appropriations, Federal FY 73 impoundment, and Federal FY 73 carryover

  - Funds representing the sum of several sources, such as Federal funds and matching State funds

- Disbursements--Advanced funds, voucher payments, or transfers of cash to the substate agencies by the SEA to make reimbursements for incurred expenses.

- Discretionary Grants--Grants made on a competitive basis from project proposals or plans submitted to grantor.

- (EHA) Education of the Handicapped Act--Handicapped preschool and school programs (OMB Cat. No. 13.449).

- Entitlement--Method of obligation under which the disbursements are based on the relative weighting of one or more variables such as the number of students, population density, income level, or previous year obligation.

- (ESEA) Elementary and Secondary Education Act--For the first year's effort, ten separate programs fall under the State administered ESEA Titles, as follows:

TITLE	DESCRIPTIONS	OMB Cat. No.
Title I	Educationally Deprived Children--Handicapped	13.427
	Educationally Deprived Children--Migrants	13.429
	Educationally Deprived Children--State Administration	13.430
	Educationally Deprived Children in State Administered Institutions Serving Neglected and Delinquent Children	13.431
Title I-A	Educationally Deprived Children--Local Educational Agencies	13.428
Title I-B	Educationally Deprived Children--Special Incentive Grants	13.512
Title I-C	Educationally Deprived Children--Special Grants for Urban and Rural Schools	13.511
Title II	School Library Resources, Textbooks, and Other Instructional Materials	13.480
Title III	Supplementary Educational Centers and Services, Guidance, Counseling, and Testing	13.519
Title V-A	Strengthening State Departments of Education--Grants to States	13.486

- Expenditures--Charges incurred, whether paid or unpaid, which relate to goods and/or services received to operate State administered education programs.

- Final Grant Recipient--The last organizational unit having responsibility for the administration and use of the grant. The end user of the funds.

- Fiscal Year Funds--Funds available during or for a given government fiscal year's operations.

- Formula Ranking--Method of obligation establishing a priority of awards to substate agencies by a relative need process. Funds may be distributed in any manner as long as the relative rankings are maintained.

- (HEA) Higher Education Act--Two State administered programs under HEA are included in the first year's report as follows:

TITLE	DESCRIPTION	OMB Cat. No.
Title I	Community Services and Continuing Education (University Community Service)	13.491
Title IV-A	Grants to States for Student Incentive Grants	13.548

- Impounded 1973 Funds--Appropriations that were made by Congress but were not apportioned to Federal governmental units during the 1973 fiscal year. These funds were released from impoundment during the 1974 fiscal year.

- Institution--An organizational unit such as a private or public school, church, community college, hospital or reformatory, having a social, educational, or religious purpose.

- Intermediate School District--An organizational unit with administrative and fiscal authority to provide and operate educational programs on a regional or multischool district basis.

- Late Funding--The process of notifying a State of its allocation for a given fiscal year after the start of the time period for which the funds apply.

- Local Education Agency (LEA)--A public board of education or other public authority legally constituted within a State for either administrative control or direction of elementary and secondary education.

- (LSCA) Library Services and Construction Act--For the initial report, three programs are included, as follows:

TITLE	DESCRIPTION	OMB Cat. No.
Title I	Library Services--Grants for Public Libraries	13.464
Title II	Construction of Public Libraries	13.408
Title III	Library Services--Interlibrary Cooperation	13.465

- Morrill Act--(Bankhead-Jones and Morrill-Nelson Act)--To support instruction in agriculture and mechanical arts in land-grant colleges. OMB Cat. No. 13.453

- Moving Budget--The process of making line item revisions (intragrant) to a grantee agency's budget to reflect changing conditions and circumstances.

- (NDEA) National Defense Education Act--

TITLE	DESCRIPTION	OMB Cat. No.
Title III	Strengthening Instruction through Equipment and Minor Remodeling	13.483

- Obligation--The amount of money that the State education agency awards or makes available to the LEA, other substate agencies, or institutions for educational programs.

  - Intermediate Obligation--That amount representing other than the final obligation; does not reflect all amendments and changes.

  - Final Obligation--That amount representing the last available amount, reflecting all amendments and changes, beyond which no additional revision will be made.

- Obligation Method--Method by which the SEA earmarks or budgets Federal funds to substate agencies. For the first year's effort, the method indicated could be one or more of the following:

  - Entitlement--Method of obligation where the disbursements are based on the relative weighting of one or more

variables such as population density, income level, or previous year obligation.

- Formula Ranking--Method of obligation establishing a priority of awards by a relative need process. Funds may be distributed in any manner as long as the relative rankings are maintained.

- Discretionary--Method of obligation based on a competitive process. Awards are on the basis of individual grant application reviews.

- Overbudgeting--The practice of obligating larger amounts to grantee agencies than a State has available, knowing historically that a portion equal to the overage will not be expended on a statewide basis and thus can be redistributed.

- Program--A combination of related courses, services, or self-contained classes organized for the attainment of specific educational objectives, e.g., a program of special education for handicapped pupils.

- Purposes--Usage categories to which Federal education aid is applied. The two major programs, ESEA IA and VEA IB, had specific purposes identified for the first year's report as follows:

ESEA IA Program Purposes/Uses

- Reading/English--An educational program designed for the teaching of communications skills such as reading, writing, and other English language skills.

- Mathematics--An educational program designed for the teaching or improvement of computational skills.

- Special Activities for Handicapped--Specially organized activities in which the mentally retarded, hard of hearing, deaf, speech impaired, seriously emotionally disturbed, crippled, etc., may participate.

- Vocational--Technical training given in schools, classes, or under monitored supervision that is designed to prepare individuals for gainful employment as semiskilled or skilled workers or technicians.

- Supporting Services--Administrative, technical, and logistical support to enhance direct instructional services.

- Other--Miscellaneous activities conducted by the school.

VEA IB Program Purposes/Uses

- Secondary--Includes education provided in a span of years or grades beginning with the next year or grade following the elementary school and ending with or below grade 12, including junior high school and other types of high school.

- Post Secondary--A program designed primarily for youth or adults who have completed or left high school.

- Adult--Includes individuals beyond the age of compulsory school attendance who have either completed or interrupted their formal education.

- Disadvantaged--Persons who have academic, socio-economic, cultural, or other handicaps and who for that reason require specially designed educational programs or related services.

- Handicapped--Persons who are mentally retarded, hard of hearing, deaf, seriously emotionally disturbed, crippled, or other health impaired persons.

- Supporting Services--Administrative, technical, and logistical support to enhance direct instructional services.

- Other--Miscellaneous activities conducted by the agency.

. Reobligated Funds--Funds which were previously obligated to a substate agency, were not used, and subsequently are being obligated a second time, but not necessarily to the same substate agency.

. Section 512--That portion of the Education Amendments Act of 1974 (Public Law 93-380) which prescribes annual reporting required by Congress from the U. S. Commissioner of Education and the States on the purposes and uses of Federal funds under State administered education programs.

- State Administered Program--A program which is administered by the State education agency but may be implemented at the LEA level.

- (SEA) State Education Agencies--The organizations established by law for the primary purpose of carrying out at least a part of the educational responsibilities of the State.

- State Plan--The document submitted by the State boards of education or State education agencies to the U.S. Office of Education describing the State's education program and its intended utilization of forthcoming Federal funds for such program.

- Tydings Amendment--(Sec. 412B of the General Education Provisions Act) The provision allowing a State an additional year in which to obligate Federal funds for State administered education programs.

- Underbudgeting--The practice of withholding a portion of the State's allocation of Federal education funds for obligation at a later time.

- Unobligated Funds--Federal fiscal year funds that have been allocated to the State by the Federal Government but have not yet been obligated by the State to the LEA.

- (VEA) Vocational Education Act--For the first year's report, seven State administered programs under the Vocational Education Act are included as follows:

TITLE	DESCRIPTION	OMB Cat. No.
Title IB	Vocational Education--Basic Grants to States	13.493
	Vocational Education--Special Needs	13.499
Title IC	Vocational Education--Research	13.498
Title ID	Vocational Education--Innovation	13.502
Title IF	Vocational Education--Consumer and Homemaking	13.494

TITLE	DESCRIPTION	OMB Cat. No.
Title IG	Vocational Education--Cooperative Education	13.495
Title IH	Vocational Education--Work Study	13.501

APPENDIX

THE FIRST YEAR'S COLLECTION EFFORT

This appendix describes the approach to producing the first Congressional report. Included are discussions of the rationale for selection of the data items for the report, basic guidelines and groundrules established to select and record the data, and the various tasks performed in the preparation, collection, processing, and analysis of the data.

A1 Rationale for Selection of Data Items in the First Annual Report

The primary authority for the specification of the data requirements and scope of collection activities is, of course, the text of Section 512 of Public Law 93-380. Discussions with Congressional aides and USOE program staff demonstrated that the requirements of the legislation could be given several interpretations and yet comply with the basic intent and thrust of the law. As indicated earlier, two major factors in the selection of the data for the first annual report were the constraints imposed by the current State recordkeeping systems as well as the desire to minimize the burden on the States and thus build support for the future reporting system. Consequently, the data items actually collected represent a substantial response to the requirements of the legislation, with certain gaps or modifications as discussed earlier in Chapter 3.

A1.1 Alternative Data Collection Requirements

Based upon the Section 512 discussions with Congressional aides, and pretest visits to three State education agencies, several data item possibilities emerged which provided alternative approaches to compliance with the intent of the legislation:

- Fiscal Data--The legislation states that dollar amounts of grants and contracts given to substate agencies be identified. Two basic alternatives to meet this requirement were to:
  - Record the grant and contract dollar amounts awarded to substate agencies during a given year, or

- Record the grant and contract amounts awarded to substate agencies from a given Federal appropriations act.

The first alternative would provide an indication of the distribution of funds during a given period of time, and would have, as source of funds, monies from the current and previous year's appropriations (due to the carryover provisions). The second alternative would essentially track the distribution of funds from a single year's appropriation act, and thus could include funds awarded to substate agencies over a two-year period.

- Beneficiary Data--A second facet of the legislation provides for the reporting of beneficiary data to address concerns such as "who are the recipients?," "what is the target population?," and "how many are benefited?" There were two basic alternative methods identified addressing this reporting requirement:

  - Record numbers of direct beneficiaries within predefined classifications such as age, ethnicity, income level, or education grade level receiving benefits from a project or set of projects operated by a substate agency.

  - Record only aggregate numbers of direct beneficiaries receiving benefits under a project or set of projects operated by a substate agency.

- Purpose Data--A third facet of the legislation requires reporting on the purposes for which funds were applied or expended. Several alternatives were identified with respect to purpose:

  - Record the actual or estimated distribution of funds for each predefined purpose category, for example, funds spent for reading, mathematics, and teacher training by each substate agency receiving ESEA IA funds.

  - In place of dollar amounts, record those purposes served by projects operated by substate agencies receiving funds under the particular State administered program. For example, under this approach, if a substate agency had at least one project with reading as a purpose under an ESEA IA

program, the purpose "reading" would be recorded as having been supported by funds given to that agency.

- Degree of Aggregation--For each of the above data categories, alternatives existed with respect to the level of aggregation. Specifically, the two basic alternatives were to:

  - Record obligations, beneficiaries, or purposes served on an individual grant or project basis within each substate agency; for example, data could be collected for each of several projects operated by a substate agency under Vocational Education--Basic Grants Program.

  - Record obligations, beneficiaries, or purposes aggregated to the substate agency. For example, under this approach, the data for individual projects under a Vocational Educational program would be summed and one total for the substate agency would be recorded.

The above represent the major data item alternatives. There were naturally several variations of these, but they represent the principal alternatives which were considered in arriving at the final set of items.

A1.2 Constraints Introduced by State Practice

In examining the various data item alternatives, a pretest was conducted in three States to identify potential constraints to data collection.

State education agencies had not been required to support comprehensive multiprogram reporting in the past. Consequently, there was a substantial amount of variability in recordkeeping systems on both an intrastate and interstate basis. For example, rarely did a State education agency have fiscal records which identified obligations or expenditures by purpose category. Further, even for those States which had purposes recorded (e.g., on a grant application) the classifications were not uniform among the States. As a result, it was decided first to identify the purposes served by projects operated by a substate agency, rather than attempt to isolate the dollar amounts, and second, to record purposes only for the two largest State administered programs--ESEA IA and VEA IB.

Similarly, no uniform classification of beneficiaries was found among State education agencies for several of the programs. This, together with the extensive effort involved in identifying beneficiaries at the substate agency level, led to the decision to seek total beneficiaries only for a given substate agency and program area.

With respect to fiscal information, considerable variability existed in the methods used to identify both the appropriation act source, by substate agency, as well as the fiscal year during which funds were being awarded. It was decided to collect data on the obligations made to grantee agencies from a given year's appropriation act--1974, in this case--rather than obligations made during a particular year, due to the interest expressed by Congressional aides in tracking the Federal FY 74 appropriations funds through their final distribution to substate agencies.

In all instances--with respect to fiscal, beneficiary, and purpose data--the wide variability in State recordkeeping systems necessitated that the requirements should be relatively modest and at the same time allow for certain flexibility in the particular data collected. It was in this context that data priorities were established, adding several alternatives to insure the retention of flexibility. A description of these items was presented earlier in Chapter 3.

A2 Basic Data Collection Guidelines

In addition to specifying the priority and alternative data items, several additional data collection guidelines were established, as follows:

- Data gathering efforts were restricted to data currently available from State fiscal and program records. In order to minimize the burden placed on the States for the first year's effort, collection was restricted to data that was readily available within the time constraints. If the desired data were either not available or in an unusable format, the alternative data items described in the previous section were sought. If this data was also unavailable, it was omitted.

- Tracking of grants (i. e., obligations) to substate agencies was to stop at the first recipient agency, i. e., grants to other State agencies were not to be further tracked for subobligations. Because it was felt the primary emphasis of the reporting requirement was to

gain knowledge of the obligation decisions made by State education agencies, grants were to be tracked to the first recipient beyond the SEA and not further. For example, funds obligated to the department of corrections by the State education agency were not to be further tracked to individual penal institutions. Thus, subobligations made from the department of corrections were to be ignored for the first year's effort.

- Grants made to individual public schools were to be aggregated to the appropriate LEA level. If source documents identified an individual school as being the recipient agency of funds, the funds were to be associated with the appropriate LEA, if possible, and identification of the individual school eliminated for reporting purposes.

- Whenever possible, data currently available at the USOE program offices was used for the report. In such cases (primarily for LSCA and HEA programs) the required data was not collected from the States, thus minimizing duplication.

- Agency names were to be standardized across all programs within the State. To provide standardization in reporting between programs on an intrastate basis, variant spellings and identifying names for the same grantee were eliminated and the combined data shown under a single common grantee name.

A3 Structured Collection Approach

To ensure that the above guidelines were followed, and to facilitate the timely collection and processing of the data, a structured data collection approach was formulated.

As discussed earlier, because P. L. 93-380 had imposed substantially increased reporting requirements upon the States, a decision was made to assist the States in the first reporting effort by having the contractor assume the responsibility for all data collection, tabulation, and processing activities.

The approach used included five basic tasks:

- Training
- Field Data Collection

- Data Editing
- Data Validation
- Report Preparation

A3.1 Training

In preparation for the data collection effort, all field personnel were assembled in Washington for an intensive two-day training session. Each team member became thoroughly familiar with the requirements of Section 512, the specific data that was to be collected, and the methods and protocol for the collection effort.

A3.2 Field Data Collection

The field visits to States were concentrated in a period of nine weeks during the summer and early fall of 1975. Collection activities involved six data collection teams, each team size being flexible, varying with the level of effort required for data collection in each State. Generally, the team consisted of four individuals, one of whom was designated as team leader.

Team activities conducted within each State were similar, beginning with an initial meeting describing the nature of the effort, the background relating to the reporting requirements of P. L. 93-380, and a detailed description of the data collection objectives for the week. The State attendees generally included program directors and fiscal and administrative staff.

Detailed interviews were conducted with program and fiscal staff to determine the availability, content, and format of the desired data and the effort required for the collection effort. The most efficient data collection approach consistent with the reporting requirements was identified by the data collection team prior to the data transcription process. The actual collection process involved the transcription of source data to standard collection instruments.

The week's collection activities concluded with an exit debriefing, the objective of which was to relate the highlights of the week's activities, review any problem areas with program staff, and to discuss plans for the development of the future reporting system. At the end of all collection activities in a State, data quality reports were completed, documenting the source, content, form, and problem areas in obtaining the desired data.

A3.3 Data Editing

Following completion of the collection activities, the data were subjected to numerous manual and computerized edits. For example, obligation amounts were totaled and crosschecked to reduce the transcription errors, and all grantee names checked to provide for a common spelling across programs within a State. Additionally, the data content was matched against the data quality reports completed during the State visits to ensure that an accurate presentation of the collected data was given.

A3.4 Data Validation

At the conclusion of the editing process, the data were returned to the respective States for verification of the content. Data listings presenting the grantee and corresponding obligation, beneficiary, and purpose figures, were forwarded to the State contact, along with a report outlining the source and characteristics of the data, and detailed instructions for correcting any erroneous figures. The corrected data, along with appropriate comments, were then returned to USOE where it was reedited in preparation for the final data processing step.

A3.5 Report Preparation

The fifth and final step in the collection approach centered on the preparation of the final Congressional report. Edited and validated data were submitted to final data processing to produce the computerized summary data reports. Work on the narrative portions of the Congressional report progressed simultaneously with the development of the computerized portions.